

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION -- DIVISION OF FINANCIAL ASSISTANCE  
SEPTEMBER 6, 2006**

**ITEM 11**

**SUBJECT**

CONSIDERATION OF A RESOLUTION APPROVING A PRELIMINARY SRF LOAN COMMITMENT FOR THE SANTA MARGARITA WATER DISTRICT (DISTRICT) RECYCLED WATER PROGRAM EXPANSION GROUP 3 FACILITIES (PROJECT); SRF LOAN PROJECT NO. C-06-4845-210

**DISCUSSION**

The District is seeking a SRF loan to help finance the Project. The proposed Project is the continuation of the construction of the District's Recycled Water Program Expansion to serve recycled water to identified sites within the communities of Rancho Trabuco, Las Flores, Califia, Ladera ranch and Talega Valley located in southeastern Orange County just north of Interstate Highway 5 and the City of San Clemente. This is the third and last group of facilities for the ongoing expansion program. The project will construct a one million gallon (MG) recycled water reservoir in Talega Valley, a 0.5 MG recycled water reservoir in Rancho Trabuco, two pressure reducing stations - one in Rancho Trabuco and one in Califia, a booster pump station in Las Flores, approximately 7.9 miles of recycled water distribution pipelines and appurtenances ranging in sizes from four to twelve inch diameter within the communities of Rancho Trabuco, Las Flores, and Califia, and service connections to 135 sites that would otherwise use potable water.

This project will increase the available fresh water supply demand by providing approximately 870 acre-feet year of recycled water to identified sites within the five communities, replacing an equivalent amount of potable water that would otherwise be used to irrigate landscape. The District receives the majority of its water from a blend of imported State Water Project and Colorado River water from the Metropolitan Water District's Diemer Filtration Plant. The District has a Water Conservation Plan approved by the Division and it has developed an Urban Water Management Plan and submitted it to the Department of Water Resources as required by the State statute. Therefore, the District has fulfilled the requirements of Section IX. of the SRF Policy. This project is needed to complete the District's Recycled Water Program Expansion Project and to meet its long-term goals of maximizing recycled water deliveries and eliminating use of potable water for landscape irrigation.

The District prepared an Initial Study/Mitigated Negative Declaration (IS/MND) for the proposed project dated August 1999, which was distributed to the public and circulated through the State Clearinghouse (SCH# 1999091002) for review from September 1, 1999 through September 30, 1999. The IS/ND supplements Environmental Impact Reports prepared for various communities in the water district, and was prepared to evaluate current planning, where changes may have occurred from previous documentation or where no or inadequate documentation was provided. The District provided adequate responses to comments in the Final IS/ND. The District's Board of Director's approved the project and adopted the IS/ND on August 13, 1999. The District filed a Notice of Determination with the Orange County Clerk and the Governor's Office of Planning and Research on August 27, 1999.

Subsequently, the District prepared an Addendum to the Initial Study and Environmental Checklist dated May 2006 that was distributed to the public and circulated through the State Clearinghouse (SCH#1999091002) for review from June 1, 2006 through July 1, 2006. There were no additional comments from state or federal agencies.

On July 7, 2006 Division staff distributed the Addendum to the Initial Study and Environmental Checklist to the U.S. Fish and Wildlife Service for a subsequent review of potential changes. The federal review period expired on August 12, 2006. There were no comments or concerns from federal crosscutting agencies.

On April 17, 2003, the State Historic Preservation Officer concurred with the Division's finding that no historic properties will be affected by the project. There are no special conditions.

Conformance with population projections of the State Implementation Plan was reviewed and the Division concluded that the proposed project will not violate any applicable air quality standards, and increased pollutant concentrations will not occur as a result of implementing the project. The USEPA did not find the project to be in non-conformance with requirements under federal air quality regulations.

In accordance with the State Water Resources Control Board's (State Water Board) *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, projects on the adopted priority list need State Water Board approval to receive a SRF loan. A SRF loan commitment can be approved by the State Water Board after the Division of Financial Assistance (Division) has issued the Facilities Plan Approval (FPA). On July 21, 2006, the Division approved a FPA for the District's Project. The District agreed in writing on July 25, 2006, with the Division's FPA.

The District has provided the Division with a schedule containing project milestones. These dates are included in the Division's FPA. In accordance with Section IX (J) of the SRF Policy, the resolution includes May 21, 2007, as the deadline for the District to issue a "Notice-to-Proceed" (NTP) to construction, and January 15, 2007, for signing the SRF loan agreement. The Division may approve up to a 90-day extension for good cause.

The District has applied for an SRF loan amount in the amount of \$6.17 million for the Project. These funds are in addition to a Water Recycling Funding Program Grant the District received in the amount of \$2.03 million for the Project. The District requests a 20-year repayment period for the SRF loan with the first repayment due one year after completion of construction.

## POLICY ISSUE

1. Should the State Water Board approve a SRF preliminary loan commitment for the proposed project, including a 20-year repayment period, with the first repayment due one year after completion of construction?
2. Should the State Water Board, in accordance with Section IX (J) of the Policy, condition this approval by withdrawing the SRF preliminary loan commitment if the District does not issue a NTP to construction by May 21, 2007, and sign the SRF loan agreement by January 15, 2007? Should the Division have the discretion to approve up to a 90-day extension for good cause for both dates?

## FISCAL IMPACT

(as of 7/20/06)

	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10	SFY 2009-10	SFY 2010-11
Beginning Balance:	\$535,391,979	\$160,328,393	\$79,423,990	\$120,462,253	\$242,286,747	\$398,448,999
Estimated Repayments	\$176,527,973	\$177,416,185	\$187,416,185	\$197,416,185	\$207,416,185	\$217,416,185
Debt Service on Revenue Bonds	(\$33,439,354)	(\$33,357,579)	(\$31,893,104)	(\$31,758,441)	(\$31,456,429)	(\$30,228,204)
Estimated Capitalization Grants	\$44,528,521	\$0	\$0	\$0	\$0	\$0
State G.O. Bond proceeds (less state admin. match)	(\$606,678)	\$0	\$0	\$0	\$0	\$0
Local Match Credits	\$30,884,632	\$7,075,635	\$4,610,358	\$4,166,750	\$4,166,750	\$4,166,750
Est. SMIF Interest:	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Estimated Disbursements	(\$533,443,015)	(\$193,384,730)	(\$102,024,727)	(\$50,000,000)	(\$25,964,254)	(\$25,000,000)
<b>Subtotal</b>	<b>\$221,844,058</b>	<b>\$120,077,905</b>	<b>\$139,532,702</b>	<b>\$242,286,747</b>	<b>\$398,448,999</b>	<b>\$566,803,730</b>
LACSD, Proj. Nos. 4701-110 through 4701-520	(\$28,600,665)	(\$13,636,915)	(\$2,252,449)			
Sonoma Valley CSD, Proj. No. 4823-110	(\$3,680,000)	(\$3,000,000)				
Redding, City of, Proj. No. 4971-110	(\$3,700,000)	(\$400,000)				
Santa Margarita Water District, Proj. No. 4825-210	(\$1,535,000)	(\$3,617,000)	(\$1,018,000)			
Reserve for Small Community Wastewater Grant Projects	(\$24,000,000)	(\$20,000,000)	(\$15,800,000)			
<b>Balance</b>	<b>\$160,328,393</b>	<b>\$79,423,990</b>	<b>\$120,462,253</b>	<b>\$242,286,747</b>	<b>\$398,448,999</b>	<b>\$566,803,730</b>

## **REGIONAL WATER BOARD IMPACT**

The San Diego Water Quality Control Board has prescribed Waste Discharge and Water Recycling Requirements, Order No. 97-52 for the South Orange County Water Authority (formerly South Orange County Reclamation Authority) of which the District is a member. The proposed project will be in compliance with the discharge requirements.

## **STAFF RECOMMENDATION**

1. The State Water Board adopts a resolution approving a SRF preliminary loan commitment of \$6.17 million for the District's Project with a repayment period of 20 years, and with the first repayment due one year after completion of construction.
2. In accordance with the SRF Policy, condition this approval by requiring expiration of this preliminary loan commitment if the District does not issue a NTP to construction by May 21, 2007, and sign the SRF loan agreement by January 15, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates.

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. 2006-**

**APPROVING A PRELIMINARY SRF LOAN COMMITMENT FOR THE SANTA MARGARITA  
WATER DISTRICT (DISTRICT) RECYCLED WATER PROGRAM EXPANSION GROUP 3  
FACILITIES (PROJECT); SRF LOAN PROJECT NO. C-06-4845-210**

**WHEREAS:**

1. The State Water Resources Control Board (State Water Board), on February 16, 1995, adopted the "*Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities*," and revised it on September 22, 2005;
2. The State Water Board, on June 7, 2006, adopted the State Fiscal Year 2006/2007 SRF Loan Program Priority List which included the District's Project in Priority Class C;
3. The Division of Financial Assistance (Division) has approved the Facility Plan for the District's Project; and
4. The City adopted a Mitigated Negative Declaration and an Addendum to the Initial Study and Environmental Checklist (State Clearinghouse No. 1999091002) prepared for the project, which has been reviewed and considered and it has been determined that the project will not result in any significant water quality impacts.

**THEREFORE BE IT RESOLVED THAT:**

The State Water Board:

1. Approves a SRF preliminary loan commitment of \$6.17 million for the District's Project, with a repayment period of 20 years, and the first repayment due one year after completion of construction;
2. Includes a condition that this SRF preliminary loan commitment will expire if the District does not issue a "Notice-to-Proceed" to construction by May 21, 2007, and sign the SRF loan agreement by January 15, 2007. The Division staff may approve up to a 90-day extension for good cause for both dates; and
3. Directs the Division to allocate \$6.17 million consistent with the construction schedule and availability of funds.

**CERTIFICATION**

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on September 6, 2006.

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Clerk to the Board